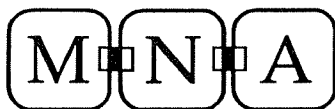


The Michigan Nonprofit Agenda

Recommendations to
State Policymakers



Michigan Nonprofit Association

LIST OF ENDORSERS

Albion Volunteer Service Organization, Albion
 Alpena Community College Volunteer Center, Alpena
 ArtServe Michigan, Southfield
 Blue Cross Blue Shield of Michigan Foundation, Detroit
 BoarsHead Theater, Lansing
 Bring the Eden Alternative to Michigan (BEAM), Lansing
 Catholic Youth Organization, Detroit
 Child Abuse and Neglect Council of Saginaw County, Saginaw
 Collaborative Management Consultants, Inc., Grosse Pointe Park
 Come And Receive Excellent Service (C.A.R.E.S) Right Now, Detroit
 Community Action Agency of South Central Michigan, Battle Creek
 Community Economic Development Association of Michigan (CEDAM),
 Lansing
 Community/Urban Transition, LTD, Detroit
 ConnectMichigan Alliance, Lansing
 Council of Michigan Foundations, Grand Haven
 Cyber-State.org, Ann Arbor
 Detroit Urban League, Inc., Detroit
 Detroit Youth Foundation, Detroit
 Dispute Resolution Center of Central Michigan, Lansing
 Dominican Literacy Center, Detroit
 EUREKA – Detroit, Detroit
 Frenchtown Senior Citizens, Inc., Monroe
 Friendship House, Hamtramck
 Genesee Coalition on Adolescent Pregnancy, Parenting and Prevention,
 Flint
 Goodwill Industries of Greater Detroit, Detroit
 Greater Jackson Habitat for Humanity, Jackson
 Heritage Development Group, Okemos
 Hope College, Holland
 Housing Services for Eaton County, Charlotte
 Hudson-Webber Foundation, Detroit
 Ionia County Literacy Council, Ionia
 J&B Consulting Service, Washington
 Jackson Nonprofit Support Center, Jackson
 Leaders of Employee Development for Greater Excellence (LEDGE),
 Lansing
 Legacy Associates Foundation, Detroit
 Lenawee United Way and Volunteer Center, Adrian
 Literacy Council of Midland County, Midland
 Lutheran Social Services of Michigan, Lansing
 MARO Employment & Training Association, Lansing
 MERCY Education Project, Detroit
 Metropolitan Agency for Retarded, Detroit
 Michigan 4H Foundation, East Lansing
 Michigan Adaptive Sports, Keego Harbor
 Michigan Assisted Living Association, Livonia
 Michigan Association of Community Arts Agencies, Ann Arbor
 Michigan Association of Conservation Districts, Cadillac
 Michigan Association of School Administrators, Lansing
 Michigan Association of School Boards, Lansing
 Michigan Association of United Ways, Lansing
 Michigan Campus Compact, Lansing
 Michigan Catholic Conference, Lansing
 Michigan Federation for Children and Families, Lansing
 Michigan Health and Hospital Association, Lansing
 Michigan Health Council, Okemos
 Michigan Jewish Conference, Lansing
 Michigan Nonprofit Association, Lansing
 Michigan Protection and Advocacy Service, Inc., Lansing
 Michigan Virtual University, Troy
 Michigan's Children, Lansing
 Mo' Better Health, Inc., Detroit
 Myasthenia Gravis Association, Southfield
 Neighborhood Associations of Michigan, East Lansing
 Newayago County Community Services, Freemont
 Nonprofit Enterprise at Work, Inc. (NEW), Ann Arbor
 North Ottawa County Council on Aging, Grand Haven
 Northeast Michigan Community Partnership, Inc., Alpena
 Oceana Children's Help Center/ Andre Bosse Center, Hart
 Pam's Place, Detroit
 Partnership Center, Saginaw
 Resource Center, Flint
 Ronald McDonald House of Western Michigan, Grand Rapids
 S.B's Love Closet, Inc., Lansing
 Senior Alliance, Inc., Wayne
 Starfish Family Services, Inkster
 State Alliance of Michigan YMCA's
 State Theater, Traverse City
 Studio G. Foundation, Detroit
 The Creation Station, Lansing
 The Gift of a Helping Hand, Detroit
 The Heat and Warmth Fund (THAW), Detroit
 The MINDS Program, Inc., Southfield
 The Resolution Center, Mt. Clemens
 The Sauther Foundation, Maple City
 The Upper Peninsula Children's Museum, Marquette
 Traffic Safety Association of Michigan, Lansing
 United Way of Marquette County, Marquette
 UPCAP, Resolution Services Program, Escanaba
 Volunteer Accounting Service Team of Michigan (VAST-MI), Detroit
 Volunteer Center of Greater Kalamazoo, Kalamazoo
 Volunteer Center of Otsego County, Gaylord
 Volunteer Centers of Michigan, Lansing
 Volunteer Muskegon, Muskegon
 Warren/Connor Development Coalition, Detroit
 Wayne-Metropolitan Community Action Agency, Wyandotte
 West Midland Family Center, Shepard
 Williams Syndrome Association, Royal Oak

Introduction

The following document is based on results of a survey that asked Michigan nonprofit leaders to rank ideas that state policymakers should consider to strengthen the Michigan nonprofit community. Although the Michigan Nonprofit Association (MNA) facilitated the discussion that led to the **Michigan Nonprofit Agenda**, these recommendations represent much more than just MNA's policy priorities.

Presented by the nonprofit community these recommendations will strengthen communities, promote volunteerism and enhance philanthropy across the state. Some important facts about the nonprofit sector that should influence government officials' outlook on this Agenda includes:

- Michigan is home to 38,000 nonprofits;
- There are 19,000 501(C)(3) charities in the state;
- Michigan nonprofits have assets exceeding \$60 billion;
- More than 90 percent of Michigan residents contributed to charities in 2001;
- In 2001, 50 percent of Michiganians volunteered; and
- The Michigan nonprofit sector is the fifth largest industry in the state in terms of employment with 380,000 employees.

Most importantly, Michigan nonprofits significantly contribute to the quality of life in this state. Nonprofit volunteers and staff across the state work long hours and on tight budgets to provide basic health care services to the elderly, educate the youth, fight against social injustices, feed the hungry, shelter the homeless, protect natural resources, provide cultural activities, and much more.

To protect and enhance the services and resources provided by the nonprofit sector, MNA and its partners present the following policy recommendations:

The Michigan Nonprofit Agenda

Recommendations to State Policymakers

- I. Revise the Charitable Organization and Solicitations Act (1975). *Enact legislation to revise the Charitable Organization and Solicitations Act to reflect the changing environment of charitable fundraising.*
- II. Simplify the State Grant and Contracting Process. *Analyze the current grant and contracting process in regards to nonprofits and adjust the current system to diversify and increase the number of nonprofit organizations receiving government grants and contracts.*
- III. Promote Capacity Building for the Nonprofit Sector. *Increase funding of the nonprofit sector to enhance training and management assistance for community organizations.*
- IV. Increase Sales Tax Exemption for Charitable Organizations. *Enact legislation to amend state tax policy to maintain and enhance sales tax exemptions for Michigan nonprofits.*
- V. Expand Current State Tax Incentives to Include Contributions to all Charities. *Enact legislation to retain and expand tax incentives for all 501(c)(3) organizations.*

I. Revise the Charitable Organizations and Solicitations Act (1975)

Enact legislation to revise the Charitable Organizations and Solicitations Act to reflect the changing environment of charitable fundraising.

Description

As nonprofits raise funds for their organizations, ensuring accountability and ethics are top priorities. Hence, it is imperative that a potential donor know if a charity is legitimate, how much of the proceeds are going to a charity and how much is going to a fundraiser, whether contributions are staying in the local community or going to an out-of-town or out-of-state agency, and so on.

The purpose of the 1975 Act is to regulate organizations and persons soliciting or collecting contributions for charitable purposes. However, due to loopholes within the Act, it's difficult to track noncompliant organizations. Also, consumers do not have quick or easy access to information on

nonprofits.

The Act needs to be revised to effectively enforce the laws, to prevent misleading information regarding nonprofits from being given to consumers and to ease the frustration of nonprofits trying to comply with the differing IRS and Attorney General requirements.

Revisions may include:

- Development of a registration system for charitable organizations, fund-raisers and vendors that replaces the current licensing provisions;
- Raising the threshold of the amount nonprofits may raise and be exempt from the Act's licensing and financial reporting requirements; and
- Creating a dissemination plan from the collected registration fees and fines to inform the public on information about Michigan nonprofits; e.g. a toll-free hotline for consumers.

HB 4259, a revision of the Act, was introduced in 1999. The bill unanimously passed the House and was reported favorably with substitute from the Senate Committee on Gaming and Casino Oversight.

II. Simplify the State Grant and Contracting Process

Analyze the current grant and contracting process in regards to nonprofits and adjust the current system to diversify and increase the number of nonprofit organizations receiving government grants and contracts.

Description

Many nonprofit organizations receive contracts or grants from the state of Michigan. These contracts and grants are for activities such as providing health care services for Michigan's children, mediating conflict in the workplace, adding culture to communities through art or theater, forestry work and much more. However, as diverse as the sector is in the types of services and resources it provides, the process by which a group applies for and carries out a service often varies from state depart-

ment to state department. Although it is understandable that each state department will not be managed the same way, there are a few overarching recommendations that could ease the process for nonprofits to increase their partnerships with government.

A. Analyze Current Contracting and Granting Procedures

The Governor's office needs to convene a meeting of appropriate state department delegates, nonprofit representatives and business leaders to commission a study of the state's overall contracting and granting procedures.

B. Adjust Payment Reimbursement Procedures for Nonprofits

Review payment procedures in all departments to determine where delays occur and what changes can be made to avoid delay in payment. Also, develop special rules for small nonprofits that allow payments to an account that can be drawn upon to pay for expenses the group cannot afford to advance. Many small nonprofit organizations do not apply for, or have difficulty administering, state contracts or grants because their budgets are not large enough to enable them to advance their own funds to cover the costs of program operation while waiting for reimbursement from state agencies.

C. Initiate Outreach to Make Nonprofits More Aware of State Grant Programs

State agencies need to conduct outreach programs to make more nonprofits aware of state grant opportunities. An excellent location to post all grant opportunities is on the state's homepage (www.michigan.gov) as well as the Michigan Nonprofit Association's E-mail Funding Opportunities Bulletin (www.mnaonline.org).

D. Expand Technical Assistance on Grant Application Process

All state agencies need to provide training and technical assistance for nonprofits that wish to apply for state grants. Although some state departments currently provide training for nonprofits that wish to apply for grants, not all state departments offer this resource. Even within a state

department all projects do not follow the same process for educating applicants. For each grant opportunity all state departments need to offer free workshops at the state and local level that instruct nonprofits in the grant writing process, financial management, matching fund requirements, obligations of grantees and best practices.

E. Simplify and Unify Nonprofit Financial Reporting Requirements

The state needs to stop redundant and burdensome reporting requirements. Nonprofit organizations that receive grants from the state have indicated that the reporting requirements are often cumbersome. The nonprofit community recommends that each state department review its reporting procedures and align government grant reporting requirements with IRS Form 990 and Generally Accepted Accounting Principles. Also, each department needs to consistently provide educational information to assist nonprofits with reporting. Finally, the state should work with the Federal Office of Management and Budget and local governments to streamline reporting requirements to insure coordination with federal and local requirements.

III. Promote Capacity Building for the Nonprofit Sector

Increase funding of the nonprofit sector to enhance training and management assistance for community organizations.

Description

As nonprofit organizations are being asked to play an ever-growing role in providing social services to Michigan residents, it is imperative that the state works with existing nonprofits to form Community Nonprofit Capacity Building Programs. These regionalized programs would assist local organizations to implement best practices and systems of excellence. This assistance can best be provided through publications and other research information, training sessions and individual consultations. To enhance the capacity of local organizations that work in Michigan's communities, information and training needs to be offered on topics such as:

- Incorporation and Organization
- Governance
- Legal Issues
- Financial Reporting
- Grant Writing
- Record Keeping
- Evaluation
- Strategic Development
- Management Skills

Currently, the sector works diligently to provide information and training on the above topics, however, the state has an important role in strengthening the infrastructure of community institutions. This concept of government investing in capacity building is not new. For years, the federal government has recognized the benefits of investing in the small business sector as an effective means of improving community economic development. By developing and maintaining the Small Business Administration's Small Business Development Center, the government ensured that small business owners received the training, consulting and mentoring needed to help them flourish. Nonprofit community service providers would likewise benefit from a state investment in a system to strengthen their capacity and accountability.

IV. Encourage Sales Tax Exemptions for Charitable Organizations

Enact legislation to amend state tax policy to maintain and enhance sales tax exemptions for Michigan nonprofits.

Description

Current sales tax exemptions for Michigan nonprofits need to be maintained and enhanced, but they also need to be clarified. As a result of existing policies, nonprofits are often unsure of how to gauge whether to collect sales tax for fundraising purposes.

The first type of revision to the General Sales Tax Act would apply to nonprofit organizations that sell retail for fundraising purposes. For example, a museum may have a gift store that helps to fund the organization. Currently, an organization with

total retail sales of less than \$5,000 for a calendar year does not have to collect sales tax for fundraising purposes. To address the growing fundraising needs of nonprofits, the Act needs to be revised to raise the threshold to at least \$25,000.

Second, the same Act needs to be revised to address situations when nonprofits sell above the threshold and must collect sales tax from the first dollar. This retroactive policy leads to a penalty for nonprofits that raise more than the allotted amount. For example, under current law, a nonprofit that raises \$5,001 is responsible for paying sales tax for the entire amount raised. Whereas, a nonprofit that raises up to \$5,000 does not have to collect sales tax.

Finally, the definition of charitable auction prices needs to be clarified. Under current law, a nonprofit that holds a charitable auction is responsible for paying sales tax based on the price for which the item is sold. Often times individuals bidding on goods will pay more than the fair market value for an item in order to make a donation to an organization. This needs to be revised to make nonprofits responsible for the sales tax of the fair market value of the item, not based on the price that it is sold for at the auction.

V. Expand Michigan's Tax Incentives to Include Other Charitable Contributions

Enact legislation to retain and expand existing tax incentives for all 501(c)(3) Michigan nonprofits that serve the state's residents and resources.

Description

Retaining and adding to existing tax incentives, including deductions and tax credits, increases the number of contributors; the amount of charitable contributions; preserves private choice in giving; and effectively allocates government funds for the public good.

In addition, expanding the current tax incentives to include other charitable contributions shows government support for all charitable giving.

Public policy targets priorities in a variety of ways — tax incentives, government, grants and service contracts. While tax incentives can be used to emphasize a legislative priority for certain focus areas, all charitable giving should be encouraged by public policy. Expanding the tax incentives to include other charitable contributions shows government support for the general philosophy of charitable giving.

A tax incentive provides a fundraising advantage to a nonprofit organization. It provides a stimulus to the taxpayer by reducing the actual cost of the contribution, as is clearly evident in the case of public broadcasting stations. The tax credit for contributions to these organizations was implemented in 1979. Five years later, the total number of contributors increased 83 percent and actual contributions increased 105 percent.

Currently, Michigan offers only a modest tax incentive — a tax credit — for contributions to selected members of the nonprofit community. These credits include: 1) the public contribution credit; 2) the community foundation credit; 3) the homeless shelter/soup kitchen/food bank credit; 4) the Children's Trust Fund credit; and 5) the Non-game Wildlife Fund credit.

The state legislature continues to amend the limited tax incentive programs to include other charitable contributions. However, the Michigan Nonprofit Association supports broad-based tax incentives for the sector, not just tax incentives for individual sub-sectors.

Michigan Nonprofit Association

Founded in 1990, the Michigan Nonprofit Association (MNA) works to promote the awareness and effectiveness of Michigan's nonprofit sector; and to advance the cause of volunteerism and philanthropy in the state. MNA's membership consists of more than 700 organizations representing every constituency in the state. To serve Michigan's nonprofit public policy needs, MNA and the Council of Michigan Foundations formed the Michigan Public Policy Initiative (MPPI) in 1997. Developed in response to term limitations and devolution, the Initiative promotes nonprofit involvement in public policy by educating policymakers on issues that impact nonprofits and building the capacity of Michigan's nonprofits to participate in the governmental process.

The following is a list of legislative and regulatory positions taken by the Michigan Nonprofit Association's Board of Trustees and/or its Public Policy Committee.

1. Support tax-incentives for charitable giving to Michigan nonprofit organizations.
2. Oppose legislation that would limit the ability of nonprofit organizations to communicate and interact with elected or appointed officials.
3. Support legislation that would continue funding of national service programs.
4. Support legislation that exempts sales and use tax from the contribution portion of fundraising sales by charitable organizations.
5. Support legislation that enhances volunteerism and the ability of Michigan citizens to contribute their time and talents to community service.
6. Support legislation that works to eliminate fraudulent nonprofit fundraising.
7. Carefully monitor and actively engage in the growing debate over changes in the federal income tax system, to preserve and encourage federal tax policies that support charitable contributions to and enhance the voluntary activity in the nonprofit sector.
8. Seek to influence and monitor legislation action and the regulatory activities of state and federal agencies that have a monitoring function over the nonprofit sector.
9. Monitor legislation that would regulate nonprofit conversions.
10. Monitor and oppose legislation and initiatives on a local, state and federal level that jeopardize the property tax exempt status of nonprofits.



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MNA Mission

To promote the awareness and effectiveness of Michigan's nonprofit sector and advance the cause of volunteerism and philanthropy in the state.